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LINES

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THE TENNESSEE DEPARTMENT OF COMMERCE & INSURANCE

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Contact Us

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Greetings from the Commissioner

Dear Friends,

Welcome to the second issue of *Straightlines*, our quarterly e-newsletter from the Insurance Division of the State of Tennessee Department of Commerce and Insurance.



Our state is facing a challenge to find affordable health insurance, but we want you to know that there are resources here to help you.

In this issue, you'll find information on how to obtain health insurance and where to get it. We have a new page on our website, www.state.tn.us/commerce/insurance/needinsurance that can be very useful.

I hope you enjoy this newsletter, and I hope you will sign up to receive it via e-mail by registering online at www.state.tn.us/commerce/insurance.

Best Regards,

Paula A. Flowers
Commissioner of Commerce and Insurance

TDCI Approves Workers' Comp Filing

Commissioner Flowers has approved an average 3.3% decrease in loss costs for workers' compensation insurance, that became effective July 1, 2005 for new and renewal policies.

"Loss cost" is a major element in the premium calculation for each individual employer, but not the only one. Individual employers' premium rates are affected by the insurance company's business cost, the employer's own loss experience and other various factors that can either reduce or

increase the premium level. As a result, an amended loss cost in a classification will not necessarily translate into the same increase or decrease for everyone.

"This decrease reflects the implementation of the medical fee schedule required by changes in the law," said Commissioner Paula Flowers. The medical fee schedule was created as a part of the 2004 Workers' Compensation Reform Act. It is

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**FOR RATE FILINGS
INFORMATION:
Go to
[www.state.tn.us/
commerce/insurance.](http://www.state.tn.us/commerce/insurance)**

CONSUMER CORNER:

Discount Healthcare Cards and Prescription Discount Cards

With healthcare costs on the rise, more and more Tennesseans are shopping for affordable health insurance coverage. As a result, there has been an influx in the marketplace of discount healthcare cards and prescription discount cards. It is vital for consumers to be aware of the differences between health insurance coverage and discount cards. Consumers must also be alert to legitimate and bogus discount cards.

Discount cards are not insurance. Discount cards offer discounts on prescriptions and services from doctors, hospitals, pharmacists, and pharmacies, etc., who agree to give these discounts.

Consumer Corner Contact Information:

Director for Consumer Insurance Services: Stephani Ryan
To file a complaint, please call 1-800-342-4029 or email cis.complaints@state.tn.us

The Consumer Insurance Services Section exists to serve all consumers protected by an insurance product in Tennessee. We're here to help you choose your insurance wisely, protect your rights and – when necessary – investigate complaints against insurers. We offer valuable resources to help you evaluate and choose the right insurance product, to check on agents, companies and products, and to troubleshoot problems. ■

Since a prescription discount card is not insurance, there are few consumer protection laws. Prior to August 1, 2005, the Tennessee Insurance Division did not regulate the entities that sold prescription discount cards. However, recently enacted legislation requires entities wanting to sell prescription discount cards in Tennessee to obtain a certificate of registration from the Commissioner of Commerce and Insurance.

Buyer Beware!

Before purchasing a discount card, consider several things:

Discount cards may offer money-saving benefits to people without insurance but discount cards are not always what they appear to be.

NEVER cancel any health insurance you may already have. A healthcare discount card is not the same as health insurance and should not be considered a replacement for health insurance coverage.

Read the fine print carefully. Make sure what you are buying agrees with what the sales person is telling you. Ask if the plan is an insurance policy or a discount card. Review the contract and verify that any medical conditions you might have, treatments you might need, and medications you need are provided under the discount plan.

If you use a specific doctor, hospital, or pharmacy, verify their participation in the discount plan. If you do not have a specific doctor you use regularly, ask to see a list of participating providers. If one is not available or isn't available until AFTER you purchase the card, DO NOT BUY. Frequently, providers do not know the discount card company has listed them. Verify with your doctor or pharmacy that they are a participant in the discount plan.

Check the benefits covered by the discount card. Discount cards offer a

discount on medical services, treatments and medications; they do not pay medical claims. Consumers are responsible for payment of services at the time care is received.

Watch for hidden fees and check to see if there is a per use charge. Also, verify the refund policy of the plan. Can you cancel at any time?

Verify the Agent and the Company

Some insurance companies offer discount cards at little or no cost to their policyholders. Be cautious of sales pitches promising "substantial savings on healthcare" or offering "affordable healthcare coverage." Using insurance buzzwords such as "coverage," "co-pay," and "premiums" can deceive consumers into thinking they have real insurance coverage when, in fact, they do not have insurance at all.

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January 2005-July 2005

There were a total of **2,030 consumer complaints** made to the Consumer Insurance Services Section from January to July of 2005. Here is a breakdown of the types of complaints:

Property and Casualty	1,342
Closed.....	584
Open.....	758
Re-opened.....	0
Life and Health	1,912
Closed.....	636
Open.....	1,272
Re-opened.....	4

DISCIPLINARY ACTIONS

(January 2005 - July 2005)

TDCI Disciplinary Actions Against Insurance Companies

AF&L Insurance Company—Warrington, Pennsylvania
AF&L Insurance Company's certificate of authority was suspended due to its hazardous financial condition.

Church Life Insurance Company—New York, New York
Church Life Insurance Company was ordered to pay \$30,000 for taxes, penalties, and interest as well as a regulatory penalty connected with transacting business in this state without a certificate of authority.

Cumberland Casualty and Surety Company—Tampa, Florida
Cumberland Casualty and Surety Company's certificate of authority was suspended due to its hazardous financial condition.

Kentucky National Insurance Company—Lexington, Kentucky
Kentucky National Insurance Company's certificate of authority was suspended due to its hazardous financial condition.

Medical Liability Mutual Insurance Company—Latham, New York
Medical Liability Mutual Insurance Company's certificate of authority was suspended due to its hazardous financial condition.

States General Life—Fort Worth, Texas
States General Life's certificate of authority was suspended due to its hazardous financial condition.

United National Life Insurance Company—Glenview, Illinois
United National Life Insurance Company's certificate of authority was suspended due to its hazardous financial condition.

York Insurance Company—Providence, Rhode Island
York Insurance Company's certificate of authority was revoked due to its hazardous financial condition.

Disciplinary Actions Against
Insurance Agents/Producers

Anthony Ryan Axley—Greenbrier, Tennessee
Mr. Axley's insurance producer license was revoked for stealing money from his insurance company.

Michael Len Jones—Memphis, Tennessee
Mr. Jones' insurance producer license was revoked for misappropriation and dishonest acts.

James Richard Taylor—Knoxville, Tennessee
Mr. Taylor's insurance producer license was suspended for six (6) months for having his license revoked in another state and for not notifying the Department of the other state's disciplinary action.

Humphrey Tolliver—Olive Branch, Mississippi
Mr. Tolliver's insurance producer license was suspended for six (6) months for violating an order of the Commissioner.

Angela Tolliver—Memphis, Tennessee
Mrs. Tolliver's insurance producer license was suspended for six (6) months for violating an order of the Commissioner.

Larry T. Weaver—Humboldt, Tennessee
Mr. Weaver's insurance producer license was revoked for selling securities which were not registered and for not being licensed to sell securities.

STATUS OF PROPOSED RULES

Long-Term Care Insurance, Chapter 0780-1-61.

- Becomes effective on August 29, 2005.

Administration of Self-Insurance Workers' Compensation Program by Single Employers or Pool, Chapter 0780-1-81.

- Sent to Attorney General for review.

Medical Malpractice Claims and Expenses Reporting Rules, Chapter 0780-1-84.

- Becomes effective on October 25, 2005.

Self-Insured Workers' Compensation Pools, Chapter 0780-1-54.

- Becomes effective on November 14, 2005.

Self-Insured Workers' Compensation Single Employers, Chapter 0780-1-83.

- Becomes effective on October 25, 2005.

Adoption of the Tennessee Workers' Compensation Insurance Plan, Chapter 0780-1-79.

- Rulemaking hearing held.

Prompt Payment of Health Insurance Claims, Chapter 0780-1-75.

- Rulemaking hearing held.

Medicare Supplement Insurance Minimum Standards, Chapter 0780-1-58.

- Rulemaking hearing on September 15, 2005.

Tennessee Health Insurance Portability, Availability and Renewability Regulations, Chapter 0780-1-88.

- Rulemaking hearing on September 15, 2005.

LEGISLATIVE SUMMARY

The Commissioner's Legislative Team compiled a list of bills from the 2005 legislative session that may impact the insurance industry. Only the general topics are provided, as this is not intended to be a comprehensive summary. To review the exact language of the laws, please visit <http://tennessee.gov/sos/acts/index.htm>. If you have any questions, please contact the Insurance Division at 615.741.2241.

Bill Number	Public Chapter	Effective Date
SB 682* / HB 1275	PC 8	3/21/2005

Repeals TCA Section 56-6-201 through Section 56-6-204, (Tennessee's anti-affiliation statute).

SB 154* / HB 554	PC 22	7/1/2005
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Specifies what automobile insurance carriers may present as presumptive evidence in subrogation actions.

SB 172* / HB 413	PC 52	4/12/2005
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Requires insurance companies to give 60 days prior notice to an insured when increasing premiums of an insured's commercial risk policy by 25% or more and such increase is the result of comparing policies of equivalent exposures.

SB 141 / HB 78*	PC 58	7/1/2005
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Replaces requirement that sellers of certain insurance during a rental car agreement transaction obtain a limited lines producer license with the requirement that certain disclosures concerning the transaction must be made to the purchaser.

SB 1045* / HB 1785	PC 69	4/18/2005
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Permits usage of the 2001 Commissioner's Standard Ordinary Male Composite Mortality Table when calculating reserves for single premium credit life insurance issued after December 31, 2004.

SB 1078* / HB 1639	PC 101	4/25/2005
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Deletes certain conflicts of interest as prohibited practices as related to stock and other ownership interests of directors, officers and committee members of insurance companies.

SB 92* / HB 50	PC 165	7/1/2005
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Directs commercial lines insurers to provide a copy of insured's prior three-year loss run history within 30 days of receipt of written request from insured or an insured's designee. Places limitations on an insurer's ability to charge for such information.

SB 240* / HB 1555	PC 167	5/17/2005
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Requires health insurance entities to accept, in addition to their own applications, the credentialing/recredentialing applications from the Council on Affordable Quality Healthcare.

SB 325 / HB 29*	PC 169	5/17/2005
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Enacts the "Tennessee White Water Rafting Responsibility Act" to amend law to address the inherent risk of white water rafting.

SB 803* / HB 1352	PC 182	5/17/2005
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Requires a dentist with an active Tennessee license to practice to serve at all times on the board of non-profit dental service plan corporations.

SB 176 / HB 96*	PC 184	7/1/2005
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Requires long-term care facilities to make certain disclosures about liability insurance.

SB 1578* / HB 1638	PC 188	5/19/2005
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Delays penalty provisions of Labor's medical fee schedule until January 1, 2006.

SB 1347* / HB 1300	PC 244	6/1/2006
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Enacts the "Tennessee Vehicle Protection Product Act."

SB 2261 / HB 2276*	PC 251	5/27/2005
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Allows the department of commerce and insurance to contract with actuaries and financial examiners at a higher compensation rate if deemed necessary by the commissioner and the insurance company being examined agrees to pay such a rate.

SB1129* / HB 2057	PC 274	5/28/2005
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Specifies that certain tax service warranty contracts are not contracts of insurance.

SB 261* / HB 397	PC 319	6/7/2005
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Allows HMO experience to count towards the three-year seasoning requirement necessary to obtain an Insurance Company Certificate of Authority.

SB 2287 / HB 2300	PC 375	6/7/2005
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Grants the commissioner the authority to promulgate a convenience fee by rule to cover the costs of issuing or renewing licenses via the Internet.

SB 2321 / HB 2337*	PC 390	6/9/2005
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Makes various revisions to worker's compensation laws.

SB 633 / HB 502*	PC 399	6/12/2005
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As related to the refund of unearned premium, codifies a requirement an insured under a credit life policy must notify the insurer of the early payoff of indebtedness covered by the policy. After January 1, 2006 credit life policies must provide notice to insured's of this obligation to notify the insurer.

SB 1706 / HB 837*	PC 424	7/1/2005
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Requires health insurers to provide coverage for certain health care services during a cancer related clinical trial.

SB 1237* / HB 1253	PC 431	6/17/2005
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Exempts employee leasing and staff leasing companies' employee benefit and welfare plans from insurance premium taxes.

SB 1266 / HB 718*	PC 460	6/1/2006
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Modifies insurance requirements and other regulations for amusement rides and attractions.

Workers' Comp...cont.

comprehensive and applies to all health care providers treating workers' compensation injuries where the date of service is on or after July 1, 2005.

The fee schedule rates apply statewide and do not vary for urban or rural providers. The medical fee schedule will be reviewed and updated annually. ■

HIPAA SUMMARY

Background

HIPAA is a federal and state law that protects the rights of individuals losing their group health insurance coverage. "HIPAA" stands for the Health Insurance Portability and Accountability Act. The state law is found at Tenn. Code Ann. §§ 56-7-2801 *et seq.* The federal law is contained in U.S.P.L. 104-191. In general, HIPAA allows individuals to transfer from one group health insurance plan to another group plan, or from a group plan to an individual plan even if they have pre-existing medical conditions. Under state law, TennCare is considered a group health plan, and thus individuals losing their TennCare coverage are also protected by HIPAA. Critical deadlines and eligibility requirements, however, must be met.

Eligibility for Individual Plans

Individuals who have been on TennCare or had other group health insurance coverage for eighteen (18) months without any gaps exceeding sixty-three (63) days are protected under HIPAA and considered "eligible individuals." An eligible individual has the right to purchase an individual health insurance plan without being subject to any pre-existing condition waiting periods or exclusions. However, an individual must sign up for the new plan within 63 days after the prior group coverage ended. After these 63 days, insurance companies may deem the individual uninsurable. Click here for more information on which companies offer individual health plans in Tennessee:

http://www.state.tn.us/commerce/insurance/needinsurance/pdf/Hipaalist_2005.pdf.

Eligibility for Group Plans

Most group health insurance is offered through employers. If an individual now has access to group health insurance through his or her employer (or spouse's employer), the individual may join the new group plan within thirty (30) days after the prior group coverage ended without waiting for the next enrollment period. Individuals who had group coverage of eighteen (18) months or more cannot be subject to any pre-existing condition waiting periods or exclusions. Individuals with group coverage less than 18 months may use their period of prior coverage as a "credit" against any pre-existing condition waiting periods that the new insurer imposes. It is important to note that HIPAA does not override any eligibility requirements that an employer may impose before an employee may be eligible for health insurance (such as length of employment, hours worked per week, etc.).

Required Documents

After the group coverage ends the individual will receive a Certificate of Creditable Coverage verifying that he or she has been on a group health plan and listing the total period of coverage under the prior group plan. This Certificate is usually received within 2 weeks after coverage has terminated. This Certificate or other evidence of prior coverage, will be required before a new policy can be issued to the individual. However, an individual does not need to wait until he receives this Certificate to apply for new insurance. The Department encourages individuals to contact an insurance agent or one of the companies listed on our website for a quote on a new insurance plan as soon as they become aware that they may be losing group coverage.

Obligations of Health Insurers

Right now there are less than 20 health insurance companies who are required to offer individual HIPAA plans in Tennessee. All health insurance companies who offer group plans, however, must meet HIPAA requirements. The Department has sent a legal bulletin to the health insurers in Tennessee outlining their obligations under HIPAA. For a copy of this bulletin go to: http://www.state.tn.us/commerce/insurance/needinsurance/pdf/DL550_0507061037.pdf.

HIPAA does not control the premiums of individual health plans but does guarantee their availability to eligible individuals. For more information on health insurance options please contact the Department of Commerce & Insurance, Consumer Insurance Services Section at 1-800-342-4029. ■

Consumer Corner...cont.

Avoid sales agents and telemarketers asking for your checking account or credit card numbers and pressuring you into quick decisions. Your money, financial information, and identity could be stolen.

Ask if the prescription discount card company is registered with the State of Tennessee to sell products in the state. Consumers can call Consumer Insurance Services at 615-741-2218 or 1-800-342-4029 to check the status of a prescription discount card company, insurance company or agent license.

Remember: If it seems too good to be true, it probably is! ■

— Need Your Input —

Please let us know your thoughts about this newsletter and any input or thoughts you may have for future editions.

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